Khadim India Limited

Instrument	Amount	Rating Action
Cash Credit Limits	Rs. 110.00 crore	[ICRA]BBB+ (Positive); outlook revised from ‘Stable’ to ‘Positive’
Term Loans	Rs. 20.00 crore (reduced from Rs 25.54 crore)	[ICRA]BBB+ (Positive); outlook revised from ‘Stable’ to ‘Positive’
Letter of Credit / Bank Guarantee	Rs. 24.50 crore	[ICRA]BBB+ (Positive); outlook revised from ‘Stable’ to ‘Positive’
Purchase Bills Discounting/ Demand Loans/Overdraft Limits	Rs. 16.00 crore (reduced from Rs 21.00 crore)	[ICRA]A2; reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) to the Rs. 110.00-crore[1] cash credit limits, Rs. 20.00-crore (reduced from Rs 25.54 crore) term loans and Rs. 24.50-crore non-fund based limits of Khadim India Limited (KIL)[2]. The outlook on the long-term rating has been revised from ‘Stable’ to ‘Positive’. ICRA has also reaffirmed the short-term rating of [ICRA]A2 (pronounced A two) to the Rs. 16.00-crore (reduced from Rs. 21.00 crore) fund-based limits of KIL.

The rating action takes into account the improved financial performance of the company on the back of increased realisations on the one hand and streamlining of operations, which has led to control on costs, on the other. As a result, the operating profitability has improved by almost 700 bps in FY2016. Consequently, KIL’s capital structure and debt coverage indicators also witnessed improvement. ICRA expects KIL’s debt coverage indicators to further improve going forward, a trend which is already visible in the first quarter of FY2017. The ratings continue to factor in KIL’s long track record of operations with more than five decades of presence in the domestic footwear industry, its strong distribution network and established brand name, which mitigate demand risks to some extent.

The ratings, however, continue to be constrained by the competitive nature of the domestic footwear industry, marked by the presence of multiple branded footwear manufacturers, along with a large unorganised sector and high geographical concentration of sales for KIL. Since KIL outsources a major part of its production, the company’s profits remain exposed to its ability to control the trading costs for outsourced products. ICRA also notes that given the company’s plans to increase its presence in the western and northern regions, which may lead to higher marketing costs and higher working capital requirements, the liquidity position is likely to remain under pressure. ICRA also notes that the timeline for the exit of the private equity (PE) investor is approaching, and any potential large payment obligation on the promoter, on account of the PE exit, remains a key rating sensitivity. The company’s ability to profitably scale up its wholesale footwear business while keeping the working capital requirements under control would remain key determinants of its risk profile, going forward.

Company Profile

Khadim’s was founded in 1965, when the promoter Lt. S.P. Roy Burman acquired a shoe store in Kolkata. Subsequently in 1981, the business was incorporated in the name of S.N. Footwear Industries Pvt. Ltd. During the year 2005, the company’s status was changed from a private limited company to a public limited company under the name of Khadim Chain Stores Limited. Further, in August 2005, the name was changed to Khadim India Limited (KIL). KIL manufactures and retails footwear and accessories. Additionally, the company was also involved in two non-core businesses in West Bengal that included retailing of gold jewellery (having a chain of three stores), which has been closed in FY2016, and a large format retail store, which was closed w.e.f. January 21, 2015.

Up to FY2013, the complete ownership of the company was with the promoter group and associate companies. However, in FY2014, a private equity firm took a stake of 33.8% in KIL.

[1] 100 lakh = 1 crore = 10 million
2 For complete rating scale and definitions please refer to ICRA’s website www.icra.in or other ICRA Rating Publications

Recent Results

The company has reported a profit after tax (PAT) of Rs. 25.24 crore on an operating income (OI) of Rs. 537.48 crore in FY2016 against a loss (PAT) of Rs. 18.65 crore on an OI of Rs. 461.47 crore in FY2015. KIL has posted a provisional PAT of Rs. 8.20 crore on an OI of Rs. 158.92 crore in Q1FY2017 against a provisional PAT of Rs. 4.67 crore on an OI of Rs. 137.62 crore in Q1FY2016.

August 2016

For further details please contact:
Analyst Contacts:
Mr. Jayanta Roy, (Tel. No. +91-33-22876617 / 22800008)
jayanta@icraindia.com

Relationship Contacts:
Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20- 25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	